

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

COMPONENT UNIT FINANCIAL REPORT

Year Ended September 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Schoolcraft County Public Transit</b>	County <b>Schoolcraft</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>12/16/04</b>	Date Accountant Report Submitted to State: <b>1/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Co., PLC</b>			
Street Address <b>901 Ludington Street</b>	City <b>Escanaba</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature 		Date <b>1/31/05</b>	

## TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS . . . . .	1
INDEPENDENT AUDITOR'S REPORT . . . . .	4
FINANCIAL STATEMENTS:	
Statement of Net Assets. . . . .	6
Statement of Revenues, Expenses, and Changes in Net Assets . . . . .	7
Statement of Cash Flows. . . . .	8
Notes to Financial Statements. . . . .	9
SUPPLEMENTARY INFORMATION:	
Schedule of Operating Revenues . . . . .	14
Schedule of Operating Expenses . . . . .	15
Schedule of Nonoperating Revenues. . . . .	16
Schedule of State and Federal Capital Assets Contributed . . . . .	17
Schedule of Capital Contracts. . . . .	18
Schedule of Expenses by Contract and General Operations. . . . .	19
Net Eligible Costs Computations of General Operations. . . . .	20
Schedule of Mileage Data, Vehicle Hours, and Passengers. . . . .	21
FINANCIAL ASSISTANCE - FEDERAL AND STATE:	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. . . . .	23
Schedule of Awards - Federal and State . . . . .	26
Schedule of Ineligible Costs . . . . .	28

# SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

## Management's Discussion and Analysis

This section of the Schoolcraft County Public Transit System's annual financial report presents our discussion and analysis of the Transit's financial performance during the year ended September 30, 2004. Please read it in conjunction with the Transit's financial statements.

The following table summarizes the net assets as of September 30, 2004 and 2003:

	2004	2003
Assets:		
Current Assets:		
Cash and equivalents	\$ 171,503	\$ 204,402
Federal operating assistance receivable	24,799	5,344
State grants receivable	14,538	36,314
Accounts receivable	12,963	4,663
Interest receivable	102	119
Taxes receivable	1,326	-
Prepaid expenses	756	-
Total Current Assets	225,987	250,842
Property and equipment, net of accumulated depreciation	183,129	216,851
Total Assets	<u>\$ 409,116</u>	<u>\$ 467,693</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 4,424	\$ 3,515
Accrued payroll and fringes	12,335	8,344
Total Current Liabilities	16,759	11,859
Noncurrent Liabilities:		
Accrued fringe benefits	22,085	20,770
Total Liabilities	<u>\$ 38,844</u>	<u>\$ 32,629</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 183,129	\$ 216,851
Unrestricted	187,143	218,213
Total Net Assets	<u>\$ 370,272</u>	<u>\$ 435,064</u>

The Transit provides transportation services to Schoolcraft County. During the year we provided service to 39,058 passengers. This reflected a 2.4% increase over fiscal year 2003's ridership totals.

The following table provides comparative revenue and expense information for the fiscal years ended September 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 83,124	\$ 74,651
Operating expenses	<u>(514,536)</u>	<u>(534,430)</u>
Operating Loss	(431,412)	(459,779)
Nonoperating revenues	<u>350,355</u>	<u>381,810</u>
Net Loss	(81,057)	(77,969)
Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues restricted for capital acquisition	<u>47,898</u>	<u>45,520</u>
Decrease in Net Assets	<u><u>\$ (33,159)</u></u>	<u><u>\$ (32,449)</u></u>

The Transit had an \$8,473 increase in operating revenues due in part to the increased ridership and farebox collections. Contract rides with Hiawatha Behavioral Health were also increased.

There was also a \$19,894 decrease in operating expenses due primarily to decreased costs in wages and fringes.

There was a significant decrease in nonoperating revenues that totaled \$31,455. This was due entirely to state adjustments for past fiscal years operating assistance and to a decreased level of current year funding. This is a direct result of the budget crisis that has been facing the state over the last several years. It should be noted that the state operating assistance formula percentage for fiscal year 2005 has been projected to fall below forty percent. Fiscal year 2004's state operating assistance formula percentage was slightly over forty two percent.

We will continue to monitor state and federal operating assistance grants to determine appropriate expense levels. We are insulated from cuts to a certain degree due to the operating tax millage that helps support the Transit operations. For the 2004 fiscal year the property tax collected for Transit use was \$105,742.

This financial report is designed to provide our taxpayers and citizens with a general overview of the Transit's finances and to demonstrate the Transit's accountability for the money it receives. If you have any questions about this report or need additional

information, please contact the Transit office directly at 129 North Lake, Manistique,  
Michigan, 49854.



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
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Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Schoolcraft County Public Transit System

We have audited the accompanying financial statements of the Schoolcraft County Public Transit System, a component unit of Schoolcraft County, as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schoolcraft County Public Transit System, as of September 30, 2004, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reported dated December 16, 2004, on our consideration of the Schoolcraft County Public Transit System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors  
Schoolcraft County Public Transit System

As described in Note A, the Transit has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of September 30, 2004.

The management's discussion and analysis on pages one through three are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information and the Financial Assistance - Federal and State, as listed on the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 16, 2004



SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

STATEMENT OF NET ASSETS

September 30, 2004

ASSETS

CURRENT ASSETS:

Cash and equivalents	\$171,503
Federal operating assistance receivable	24,799
State grants receivable	14,538
Accounts receivable	12,963
Interest receivable	102
Taxes receivable	1,326
Prepaid expenses	<u>756</u>

TOTAL CURRENT ASSETS 225,987

PROPERTY AND EQUIPMENT, less accumulated  
depreciation of \$257,417

183,129

\$409,116

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 4,424
Accrued payroll and fringes	<u>12,335</u>

TOTAL CURRENT LIABILITIES 16,759

NONCURRENT LIABILITIES:

Accrued fringe benefits:	
Vacation leave	6,591
Sick leave	14,818
Personal leave	<u>676</u>

TOTAL NONCURRENT LIABILITIES 22,085

NET ASSETS:

Invested in capital assets, net related debt:	
State and federal	170,392
Local	12,737
Net assets, unrestricted	<u>187,143</u>

TOTAL NET ASSETS 370,272

\$409,116

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS

For the year ended September 30, 2004

Operating revenues		\$ 83,124
Operating expenses		<u>(514,536)</u>
	OPERATING LOSS	(431,412)
Nonoperating revenues		<u>350,355</u>
	NET LOSS	(81,057)
Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues restricted for capital acquisition		<u>47,898</u>
	DECREASE IN NET ASSETS	(33,159)
Net assets, beginning of year		233,039
Less amount shown as local investment in capital assets		<u>(12,737)</u>
	UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$187,143</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

For the year ended September 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 74,824
Cash payments to employees for services	(369,241)
Cash payments to suppliers for goods and services	<u>(89,847)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(384,264)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	245,459
Tax levy received	<u>104,416</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>349,875</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital grants received	16,265
Capital acquisitions	<u>(16,265)</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	<u>1,490</u>
NET DECREASE IN CASH AND EQUIVALENTS	(32,899)
CASH AND EQUIVALENTS, beginning of year	<u>204,402</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$171,503</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(\$431,412)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	49,987
Changes in assets and liabilities:	
(Increase) decrease in receivables	(8,300)
(Increase) decrease in prepaid expenses	(756)
Increase (decrease) in payables	909
Increase (decrease) in accruals	<u>5,308</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(\$384,264)</u>

See accompanying notes to financial statements.

# SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Schoolcraft County Public Transit System conform to generally accepted accounting principles as applicable to governmental units. Significant policies are as follows:

(1) Enterprise Fund - The Schoolcraft County Public Transit System, a component unit enterprise fund of the County of Schoolcraft, accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Transit applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

(2) Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Transit maintains its accounting records on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred.

(3) Inventories - Office and garage supplies are expensed when purchased. Items on hand at year-end were considered to have a dollar value not significant enough in amount to materially affect the financial statements, therefore, inventory was not recorded.

(4) Fixed Assets and Depreciation - Fixed assets are stated at cost when purchased or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expenses, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

(5) Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

prior to December 31, are normally held in the Schoolcraft County's Trust and Agency Fund. The Transit subsequently receives its portion of the levy from this fund. For the 2003 calendar year the Transit levied .4591 mills.

(6) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(7) GASB 34 - During the year the Transit adopted the Governmental Accounting Standards Board Statement No. 34. This adoption has added a Management's discussion and analysis that precedes these financial statements. All other changes are relatively insignificant to the financial statement.

**NOTE B - CASH AND EQUIVALENTS**

The composition of cash and equivalents as reported on the Statement of Net Assets are presented below:

Demand deposits	\$ 27,751
Certificate of deposits	<u>143,752</u>
	<u>\$171,503</u>

All cash and equivalents are on deposit with the Schoolcraft County Treasurer with the Treasurer listed as the signatory. The insurability of this money is therefore not determinable.

**NOTE C - STATE GRANTS RECEIVABLE**

The following is a summary of the state grants receivable as of September 30, 2004:

Act 51 Operating Assistance - FY04	<u>\$ 14,538</u>
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**NOTE D - PROPERTY AND EQUIPMENT**

Major classes of property and equipment consist of the following:

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE D - PROPERTY AND EQUIPMENT (continued)**

	<u>9/30/03</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/04</u> <u>Balance</u>
Purchased with Capital Grants:				
Buildings and improvements	\$ 36,400	\$ -	\$ -	\$ 36,400
Vehicles	357,721	16,265	64,052	309,934
Equipment	54,488	-	-	54,488
Accumulated depreciation	<u>(246,584)</u>	<u>47,898</u>	<u>64,052</u>	<u>(230,430)</u>
Subtotal	<u>202,025</u>	<u>(31,633)</u>	<u>-</u>	<u>170,392</u>
Purchased with Transit Funds:				
Building and improvements	38,636	-	-	38,636
Vehicles	888	-	-	888
Equipment	200	-	-	200
Accumulated depreciation	<u>(24,898)</u>	<u>2,089</u>	<u>-</u>	<u>(26,987)</u>
Subtotal	<u>14,826</u>	<u>(2,089)</u>	<u>-</u>	<u>12,737</u>
TOTAL	<u>\$ 216,851</u>	<u>\$ (33,722)</u>	<u>\$ -</u>	<u>\$ 183,129</u>

Useful lives of fixed assets are as follows:

Building and improvements	20 years
Vehicles	5-7 years
Equipment	5-10 years

Depreciation expense was \$49,987 for the fiscal year.

**NOTE E - RETIREMENT PLAN**

Employees are covered by the Michigan Municipal Employees Retirement System. Retirement funding is based on a percentage of payroll and covers all eligible employees. Since the Schoolcraft County Public Transit System utilizes the Schoolcraft County payroll system and Transit employees are considered to be County employees, all retirement funding and reporting is done by County personnel with the applicable disclosures reported within the County financial statements. The Public Transit System reimburses the County for actual costs and classifies those as fringe benefits.

**NOTE F - ACCUMULATED UNPAID VACATION AND SICK LEAVE**

Vacation is earned on a variable basis, depending upon length of employment. Upon retirement or termination, employees are paid for all outstanding days accumulated at their current rate of pay. The amount of accrued vacation time at September 30, 2004 is \$6,591.

Sick leave is earned at the rate of one day per month, not exceeding twelve days per year. Upon retirement or disability, employees are eligible to receive one-half of such sick leave accumulated, up to a maximum of

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE F - ACCUMULATED UNPAID VACATION AND SICK LEAVE (continued)

one hundred days, at their current rate of pay. The amount of accumulated sick leave recorded in this financial statement at one-half of the total accumulated sick leave is \$14,818. Actual sick leave available to be used upon illness is \$29,636.

Changes in accumulated compensated absences is as follows:

	<u>9/30/03 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/04 Balance</u>
Vacation	\$ 6,479	\$ 112	\$ -	\$ 6,591
Sick	13,491	1,327	-	14,818
Personal	<u>800</u>	<u>-</u>	<u>124</u>	<u>676</u>
TOTAL	<u>\$ 20,770</u>	<u>\$ 1,439</u>	<u>\$ 124</u>	<u>\$ 22,085</u>

NOTE G - MAINTENANCE AGREEMENT

An agreement exists between the Public Transit System and El-Com Services for servicing of radio equipment at an annual fee of \$1,236, payable quarterly.

NOTE H - CONTRACT FOR SERVICES

A contract for transportation services is in effect with Hiawatha Behavioral Health for transporting patients with fares ranging from \$1.00 to \$13.00 depending on distance traveled. The total amount received under this contract for the year ended September 30, 2004 was \$48,691.

The Public Transit System also has other minor contracts with various local establishments.

NOTE I - GRANT CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. As of September 30, 2004, no such contingencies for questioned costs were known to exist.

NOTE J - BUS SUB-LEASE

The Transit has a sub-lease for one bus from the State of Michigan. This bus is leased by the State from the lessor (a third-party) and the Transit does not hold title or liability for this bus. As such, these financial statements show no asset or depreciation expense for this bus. The Transit is only liable for the operating expenses related to the leased bus.

SUPPLEMENTARY INFORMATION



SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF OPERATING REVENUES

For the year ended September 30, 2004

OPERATING REVENUES:

Demand response (farebox)	\$ 23,954
Special contract fares	<u>59,170</u>
TOTAL OPERATING REVENUES	<u>\$ 83,124</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF OPERATING EXPENSES

For the year ended September 30, 2004

	<u>Opera- tions</u>	<u>Mainten- ance</u>	<u>Adminis- tration</u>	<u>Total System</u>
Labor:				
Operators' wages	\$212,391	\$ -	\$ -	\$ 212,391
Other salaries and wages	-	-	36,272	36,272
Fringe benefits	107,523	-	18,363	125,886
Services:				
Advertising fees	-	-	2,697	2,697
Audit cost	-	-	2,000	2,000
Other services	15,934	-	-	15,934
Fuel and lubricants	33,164	-	-	33,164
Materials and supplies	-	17,319	-	17,319
Utilities	6,172	-	-	6,172
Casualty and liability costs				
- Liability & damage insurance	10,610	-	-	10,610
Miscellaneous:				
Travel and training	665	-	-	665
Other	1,439	-	-	1,439
Depreciation	<u>49,987</u>	<u>-</u>	<u>-</u>	<u>49,987</u>
TOTAL OPERATING EXPENSES	<u>\$437,885</u>	<u>\$ 17,319</u>	<u>\$ 59,332</u>	<u>\$ 514,536</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF NONOPERATING REVENUES

For the year ended September 30, 2004

LOCAL GRANTS:	
Operating millage & other taxes	\$105,742
STATE OF MICHIGAN OPERATING GRANTS:	
Formula operating assistance (Act 51)	196,155
FY99 adjustment	(6,950)
FY03 adjustment	(4,227)
RTAP	726
FEDERAL OPERATING GRANTS:	
U.S. Department of Transportation Grant Section 5311	47,085
FY02 adjustment	10,349
INTEREST EARNED	<u>1,475</u>
TOTAL NON-OPERATING REVENUES	<u>\$350,355</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF STATE AND FEDERAL CAPITAL ASSETS CONTRIBUTED

For the year ended September 30, 2004

Balance, beginning of year	\$202,025
Add: Capital contract #02-0085Z6	16,265
Deduct: Depreciation of assets purchased from contributed equity	<u>(47,898)</u>
BALANCE, END OF YEAR	<u>\$170,392</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF CAPITAL CONTRACTS

For the year ended September 30, 2004

GRANTOR: Michigan Department of Transportation

<u>Contract Number</u>	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Currently Earned</u>	<u>Amount Remaining</u>
99-0438	\$ 25,000	\$ -	\$ -	\$ 25,000
00-0420	65,000	-	-	65,000
01-0927	35,000	-	-	35,000
02-0085Z3	52,110	49,110	-	3,000
02-0085Z6	152,420	-	16,265	136,155
02-0085Z8	48,500	-	-	48,500
02-0085Z9	<u>43,750</u>	<u>-</u>	<u>-</u>	<u>43,750</u>
	<u>\$ 421,780</u>	<u>\$ 49,110</u>	<u>\$ 16,265</u>	<u>\$ 356,405</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS

For the year ended September 30, 2004

	<u>Operating</u>	<u>RTAP</u>	<u>Total</u>
Labor	\$ 248,663	\$ -	\$ 248,663
Fringe benefits	125,886	-	125,886
Services	20,631	-	20,631
Fuel and lubricants	33,164	-	33,164
Materials and supplies	17,319	-	17,319
Utilities	6,172	-	6,172
Casualty and liability costs	10,610	-	10,610
Miscellaneous	1,378	726	2,104
Depreciation	<u>49,987</u>	<u>-</u>	<u>49,987</u>
	513,810	726	514,536
Less ineligible expenses	<u>(51,390)</u>	<u>(726)</u>	<u>(52,116)</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 462,420</u>	<u>\$ -</u>	<u>\$ 462,420</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS

For the year ended September 30, 2004

	<u>Federal Section 5311</u>	<u>State Operating Assistance</u>
EXPENSES:		
Labor	\$ 248,663	\$ 248,663
Fringe benefits	125,886	125,886
Services	20,631	20,631
Fuel and lubricants	33,164	33,164
Materials and supplies	17,319	17,319
Utilities	6,172	6,172
Casualty and liability costs	10,610	10,610
Miscellaneous	2,104	2,104
Depreciation	<u>49,987</u>	<u>49,987</u>
TOTAL EXPENSES	<u>514,536</u>	<u>514,536</u>
LESS INELIGIBLE EXPENSES:		
Depreciation	49,347	49,347
MPTA dues	43	43
RTAP	726	726
Audit cost	<u>2,000</u>	<u>-</u>
	<u>52,116</u>	<u>50,116</u>
NET ELIGIBLE EXPENSES	<u>\$ 462,420</u>	<u>\$ 464,420</u>
SECTION 5311 CONTRACT PERCENTAGE-10.95%	<u>\$ 50,635</u>	
MAXIMUM SECTION 5311 REIMBURSEMENT	<u>\$ 47,085</u>	
STATE OPERATING ASSISTANCE REIMBURSEMENT 42.236619648%		<u>\$ 196,155</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF MILEAGE DATA, VEHICLE HOURS, AND PASSENGERS

For the year ended September 30, 2004

	<u>Public Transpor- tation Mileage</u>	<u>Vehicle Hours</u>	<u>Passengers</u>			
			<u>Regular</u>	<u>Senior Citizens</u>	<u>Disabled</u>	<u>Senior Citizens Disabled</u>
DEMAND RESPONSE:						
First Quarter	39,859	1,594	4,756	1,959	3,641	184
Second Quarter	41,192	1,637	4,101	1,693	3,881	239
Third Quarter	46,579	1,852	4,022	1,673	3,749	274
Fourth Quarter	<u>47,119</u>	<u>1,875</u>	<u>2,904</u>	<u>1,805</u>	<u>3,831</u>	<u>346</u>
	<u>174,749</u>	<u>6,958</u>	<u>15,783</u>	<u>7,130</u>	<u>15,102</u>	<u>1,043</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

See accompanying notes to financial statements.



FINANCIAL ASSISTANCE - FEDERAL AND STATE



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of the  
Schoolcraft County Public Transit System  
Manistique, Michigan 49854

We have audited the financial statements of the Schoolcraft County Public Transit System, as of and for the year ended September 30, 2004, and have issued our report thereon dated December 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a

Board of Directors  
Schoolcraft County Public Transit System  
Page 2

timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Transit, in a separate letter dated December 16, 2004.

This report is intended solely for the information and use of the Transit Board and management and is not intended to be and should not be used by anyone other than these specific parties.

*Andersen, Tackman & Company P.C.*

Certified Public Accountants

December 16, 2004

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF AWARDS - FEDERAL AND STATE

For the year ended September 30, 2004

<u>Federal Grantor/Program Title</u>	<u>State Grantor Number</u>	<u>CFDA Number</u>	<u>Award Amount</u>
<b>U.S. DEPARTMENT OF TREASURY:</b>			
Passed through MDOT			
Section 5311			
Operating assistance - FY04	02-0085Z7	20.509	\$ 47,085
Operating assistance - FY02	02-0085Z2	20.509	10,349
Capital assistance	02-0085Z6	20.509	152,420
<b>MICHIGAN DEPARTMENT OF TRANSPORTATION:</b>			
Operating assistance - Act 51 - FY04	-	-	196,155
RTAP	-	-	<u>726</u>
TOTAL OPERATING ASSISTANCE			<u>\$ 406,735</u>

<u>Unexpended Balance 09/30/03</u>	<u>Federal Revenue</u>	<u>State Revenue</u>	<u>Other Revenue</u>	<u>Expendi- tures</u>	<u>Unexpended Balance 09/30/04</u>
\$ -	\$ 47,085	\$ -	\$ -	\$ 47,085	\$ -
-	10,349	-	-	10,349	-
-	13,012	3,253	-	16,265	-
-	-	196,155	-	196,155	-
-	-	726	-	726	-
<u>\$ -</u>	<u>\$ 70,446</u>	<u>\$ 200,134</u>	<u>\$ -</u>	<u>\$ 270,580</u>	<u>\$ -</u>

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF INELIGIBLE COSTS

For the year ended September 30, 2004

Ineligible Costs

Section  
5311

Act 51

1. Depreciation - Depreciation accrued by public operators on state-funded equipment is ineligible according to state guidelines. With state approval local depreciation can be eligible. There was \$640 of eligible local depreciation in the year ended September 30, 2004.  
\$ 49,347      \$ 49,347
2. MPTA Dues - A percentage of the MPTA dues are ineligible expenses per the State Expense Manual. This years ineligible percentage was 7.4 percent.  
43      43
3. RTAP - During the year the Transit was the recipient of funds for the purpose of reimbursing employees attending expositions and workshops. Since these expenses are reimbursed by another funding source they are ineligible for State operating assistance.  
726      726
4. Audit Cost - Because the Transit did not need a single audit in compliance with OMB Circular A-133 the audit cost is an ineligible expense for the Section 5311 reimbursement.  
2,000      -



**ANDERSON, TACKMAN & COMPANY, PLC**

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REPORT TO MANAGEMENT

Board of Directors  
Schoolcraft County Public Transit System  
Manistique, Michigan 49854

We have audited the financial statements of the Schoolcraft County Public Transit System for the year ended September 30, 2004, and have issued our reports thereon dated December 16, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Schoolcraft County Public Transit System. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Schoolcraft County Public Transit System are described in Note A of the financial statements.

Significant Accounting Policies (continued)

During the fiscal year the Transit adopted the Governmental Accounting Standards Board Statement No. 34, which changes certain disclosures in the financial statements. These changes are described in Note A of the financial statements. The application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Schoolcraft County Public Transit System during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates.

Useful lives of fixed assets are estimates. These estimates have been made using the guidance provided by the Michigan Department of Transportation on depreciable lives of assets.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Schoolcraft County Public Transit System or a determination



of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Schoolcraft County Public Transit System, for the year ended September 30, 2004, we considered the Transit's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 16, 2004, on the financial statements of the Schoolcraft County Public Transit System

We have already discussed many of these comments and suggestions with various Transit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the board and management of the Transit and is not intended to be and should not be used by anyone other than these specified parties.

*Andersen, Tackman & Company P.C.*

Certified Public Accountants

December 16, 2004

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

COMMENTS AND RECOMMENDATIONS

September 30, 2004

FAREBOX COLLECTIONS

1. We noted during our audit that lockboxes are not used on the buses and that drivers maintain their own log sheets. This creates a risk of unrecorded fares. We recommend that the drivers begin using the lockboxes to further enhance the internal controls over farebox collections.
2. We also noted that farebox receipts are not always deposited with the County on a timely basis. Frequently there are substantial amounts of farebox receipts kept at the Transit office prior to deposit. We recommend that deposits be made on a more timely basis and that cash held at the Transit office be kept to a minimum.

BILL APPROVAL

We noted during our review of the board minutes that February's bills, while approved, had no dollar amount listed in the minutes. We recommend that each month's bills be approved by the board and that the approval and the dollar amount approved be reflected in the board minutes.